

MUA/RASA/EXAM/QP/2014

The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

BML 307: RISK AND INSURANCE MANAGEMENT

DATE: 19TH, AUGUST 2014

DURATION: 2 HOURS

MAXIMUM MARKS: 70%

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided**

QUESTION ONE

Carefully read the following comprehension and answer the questions that follow:

RISK MANAGEMENT

Risk management is much more than simply selecting the right insurance policy, and indeed insurance is only one financing alternative in the process of managing the hazards of doing business. The first step is to eliminate or at least reduce risk. For example, it makes sense to construct safe buildings and to follow sound operating procedures in the workplace in order to reduce the risk of accidents. Similarly it pays to be careful when storing important papers, such as contracts, or book negatives. Electronic data should be kept in a safe place, secure from physical damage, as well as from theft or tampering (off-site storage of backup tapes is a wise practice). The second step is to prepare as much as possible for the unavoidable. Enterprises routinely assume certain kinds of risks as part of normal operations. Expensing minor building repairs, adding a contingency amount to a budget, and maintaining an inventory write-down reserve are examples of this tactic. Every business expects to encounter these small and often frequent "losses" and, accordingly, charges their cost to normal operations. The third step for organizations is to self-insure against certain kinds of risk. That can often be done for less than the actual cost of insurance. In this case the organization maintains a reserve account in order to have adequate funds meet particular needs.

Required:

- a) Define the following terms in relation to risk management. (8 Marks)
- b) Identify and explain any four ideal requisites for insurability. (8 marks)
- c) Risk which can be insured by private companies typically shares several characteristics. Outline any five these characteristics. (5 Marks)
- d) State any four players in the insurance industry in Kenya. (4 Marks)

QUESTION TWO

Specifically, any given investment involves some risk and the amount of this risk will impact upon the amount of return that the investor expects. Discuss any five ways on how will you go

about measuring the amount of risk that is involved in the making of any investment? (Hint; Measurement of risk). (15 Marks)

QUESTION THREE

- a) When a company insures an individual entity, there are basic legal requirements. Several commonly cited legal principles of insurance include: (10 Marks)
- b) On the implementation of an enterprise resource program there are some common challenges that face organizations. Highlight any six of these challenges: (5 Marks)

QUESTION FOUR

- a) There are several types of risk involved in the insurance industry. Identify and explain any five of these risks. (10 Marks)
- b) Outline any five contributions of Risk management to the Business. (5 Marks)

QUESTION FIVE

- a) There are several types of insurance in Kenya. List and discuss any five types of insurance. (10 Marks)
- b) The chosen method of identifying risks may depend on culture, industry practice and compliance. The identification methods are formed by templates or the development of templates for identifying source, problem or event. Outline any five of these risk identification methods. (5 Marks)

QUESTION SIX

- a) Once risks have been identified and assessed, all techniques to manage the risk fall into one or more of four major categories. Identify and discuss these techniques. (12 Marks)
- b) What exactly is ERM? (3 Marks)